

# **City of Hazel Park, Michigan**

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## **Financial Report with Supplemental Information June 30, 2003**

# City of Hazel Park, Michigan

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To the Honorable Mayor and Members  
of the City Council  
City of Hazel Park, Michigan

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hazel Park, Michigan as of June 30, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and pension system schedules of funding progress and employer contributions, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and Members  
of the City Council  
City of Hazel Park, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hazel Park, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note I, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2002.

*Plante & Moran, PLLC*

November 13, 2003

# City of Hazel Park, Michigan

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## Management's Discussion and Analysis

Our discussion and analysis of the City of Hazel Park, Michigan's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the City's financial statements.

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2003:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$322,000 this year.
- Employee and retiree benefit costs increased significantly throughout 2003.
- To offset the above-mentioned revenue shortfall and increased benefit expenses the City received union contract concessions, the number of employees was reduced through attrition, and charges for services were increased.
- The Municipal Ice Arena significantly reduced its losses through a change in management, reduction in workforce, and leasing of concession and pro-shop functions.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

# City of Hazel Park, Michigan

## Management's Discussion and Analysis (Continued)

### The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date:

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets	\$ 3,596,245	\$ 2,528,262	\$ 6,124,507
Noncurrent assets	25,545,060	16,346,165	41,891,225
Total assets	29,141,305	18,874,427	48,015,732
<b>Liabilities</b>			
Current liabilities	870,922	398,120	1,269,042
Long-term liabilities	6,842,777	13,310,515	20,153,292
Total liabilities	7,713,699	13,708,635	21,422,334
<b>Net Assets (Deficit)</b>			
Invested in capital assets - Net of related debt	21,126,563	3,029,920	24,156,483
Restricted	481,425	174,331	655,756
Unrestricted	(180,382)	1,961,541	1,781,159
Total net assets (deficit)	<u>\$ 21,427,606</u>	<u>\$ 5,165,792</u>	<u>\$ 26,593,398</u>

The City's combined net assets decreased approximately 4 percent from a year ago, decreasing from approximately \$27,763,000 to \$26,593,000. Analyzing the governmental activities separately from the business-type activities, the net assets related to governmental activities decreased by \$1,120,000. This is the result primarily of reductions of State revenue sharing, limited property growth, lower interest rates on invested balances coupled with the continued greater than inflationary increases in general liability insurance and health care insurance, and other City expenditures.

# City of Hazel Park, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year:

	Governmental Activities	Business-type Activities	Total
<b>Revenue</b>			
Program revenue:			
Charges for services	\$ 3,239,636	\$ 4,622,350	\$ 7,861,986
Operating grants and contributions	1,343,546	-	1,343,546
General revenue:			
Property taxes	5,135,966	-	5,135,966
State-shared revenue	3,611,617	-	3,611,617
Unrestricted investment earnings	44,685	19,756	64,441
Franchise fees	112,700	-	112,700
Transfers	(155,611)	155,611	-
Total revenue	13,332,539.0	4,797,717.0	18,130,256.0
<b>Program Expenses</b>			
General government	\$ 3,472,942	\$ -	\$ 3,472,942
Public safety	6,289,906	-	6,289,906
Public works	3,497,696	-	3,497,696
Recreation and culture	449,941	-	449,941
Planning and economic development	514,360	-	514,360
Interest on long-term debt	227,828	-	227,828
Water and sewer	-	3,492,462	3,492,462
Municipal Ice Arena	-	1,355,194	1,355,194
Total program expenses	14,452,673	4,847,656	19,300,329
<b>Change in Net Assets</b>	<b>\$ (1,120,134)</b>	<b>\$ (49,939)</b>	<b>\$ (1,170,073)</b>

# City of Hazel Park, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

Although the City received less State-shared revenue and race track breakage fees when compared to June 30, 2002, total governmental revenues increased due to increases in license and permit fees, fines and forfeitures, and property taxes.

Expenses increased when compared to June 30, 2002, due in part to large increases in pension and health insurance costs incurred during the year. Through closely monitoring the City's spending in other areas, including freezing wages, seasonal hiring, and curtailing capital expenditures, the City offset the large increases in employee benefits.

### Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund and Municipal Ice Arena Fund.

The City provides water to residents from the City of Detroit's water system. The City provides sewage treatment through the Oakland County Drain Commission. Water system usage was lower in 2003 than in 2002, due to 2002 being a drier-than-average year, which resulted in relatively high usage of the water system. In addition, the City's water loss was lower than in 2002. These two factors combined resulted in operating income, as compared to operating losses in each of the last five years.

The Municipal Ice Arena houses two ice rinks that cater to local amateur hockey teams, figure skaters, and public skating. In 2003, the ice arena significantly reduced its losses in comparison to the prior three years. At the end of 2002, the City replaced the management company operating the ice arena. Even though 2003 revenues decreased by approximately \$114,000 as compared to 2002, expenses also decreased significantly through workforce reductions and closer monitoring of expenses. The pro-shop and concession stand services were contracted out during 2003 and now are being professionally managed by third parties leasing the facilities, thus further reducing manpower and administrative costs.

### The City's Funds

Our analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City's major funds for 2003 include the General Fund, the Water and Sewer Fund, and the Municipal Ice Arena Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$5.8 million in 2003 or approximately 48 percent of total General Fund expenditures. These two services are fully supported through the General Fund which relies on State-shared revenue and property taxes as its major source of funding.



# **City of Hazel Park, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **General Fund Budgetary Highlights**

Over the course of the year, the City amended the budget to take into account events during the year. The original budgeted General Fund expense amounts increased by approximately \$421,000 throughout the year. These expense increases were offset by budgeted revenue increases from higher fines and forfeitures and license and permit fees.

### **Capital Asset and Debt Administration**

Capital asset purchases were curtailed by the City's administration at the end of 2002 and throughout 2003. Capital asset purchases in 2003 included a roof repair at City Hall and six new police vehicles. These purchases were approved prior to the change in policy at the end of 2002. Both purchases were financed with long-term debt with three-year terms. Capital asset purchases will continue to be curtailed for the foreseeable future.

### **Economic Factors and Next Year's Budgets and Rates**

The City's budget for next year calls for lower property tax rates offset by higher property valuations. Because of the impact of Proposal A, the City needs to continue to watch its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than by inflation, before considering new property additions.

Another economic factor influencing future budget decisions is the continuing reduction of State-shared revenue. In 2002, State-shared revenue totaled \$3.1 million or approximately 28 percent of General Fund revenue. In 2003, State-shared revenue decreased to \$2.8 million or 23 percent of General Fund revenue. With significant budget deficits at the State level, the State legislators are discussing even more cuts in State-shared revenue. Future cuts would have a significant negative impact on the operation of the City.

In the past few years, certain one time negative economic events and the inability of the Municipal Ice Arena to operate profitably created constraints in the City's ability to fund services provided to residents with matching revenues, thus reducing the City's financial reserves. City management along with City Council representatives continue to monitor the current financial situation and have implemented strategies to maintain the current financial levels until positive changes in the funding provided to municipalities throughout the state are implemented.

City management continues to maintain a heightened level of awareness of its overall financial position and is proactively making changes in its operations and procedures to improve its productivity, control costs, and identify alternative revenue enhancement sources.

# **City of Hazel Park, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

# City of Hazel Park, Michigan

## Statement of Net Assets (Deficit) June 30, 2003

	Primary Government			Component
	Governmental	Business-type		Unit
	Activities	Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 1,945,015	\$ 993,429	\$ 2,938,444	\$ 275,926
Receivables (Note 4)	1,499,694	835,377	2,335,071	162,035
Due from component unit	-	338,661	338,661	-
Inventories	-	48,091	48,091	-
Prepaid costs and other assets	151,536	312,704	464,240	-
Long-term receivable - Pension Fund	242,012	484,023	726,035	-
Restricted assets (Notes 3 and 8)	-	174,331	174,331	-
Capital assets - Net (Note 5):				
Assets not being depreciated	1,194,004	1,191,033	2,385,037	154,766
Assets being depreciated	24,109,044	14,496,778	38,605,822	166,895
<b>Total assets</b>	<b>29,141,305</b>	<b>18,874,427</b>	<b>48,015,732</b>	<b>759,622</b>
<b>Liabilities</b>				
Accounts payable	309,049	243,418	552,467	114
Accrued and other liabilities	511,332	154,702	666,034	199,470
Due to other governmental units	767,612	-	767,612	338,661
Deferred revenue (Note 4)	50,541	-	50,541	-
Noncurrent liabilities (Note 7):				
Due within one year	986,436	341,575	1,328,011	209,518
Due in more than one year	5,088,729	12,968,940	18,057,669	5,182,559
<b>Total liabilities</b>	<b>7,713,699</b>	<b>13,708,635</b>	<b>21,422,334</b>	<b>5,930,322</b>
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	21,126,563	3,029,920	24,156,483	239,584
Restricted:				
Garage and rubbish collection	112,188	-	112,188	-
Drug law enforcement	369,237	-	369,237	-
Revenue bond	-	174,331	174,331	-
Unrestricted	(180,382)	1,961,541	1,781,159	(5,410,284)
<b>Total net assets (deficit)</b>	<b>\$ 21,427,606</b>	<b>\$ 5,165,792</b>	<b>\$ 26,593,398</b>	<b>(5,170,700)</b>

# City of Hazel Park, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 3,472,942	\$ 1,952,026	\$ -	\$ -
Public safety	6,289,906	361,012	74,011	-
Public works	3,497,696	539,640	1,017,257	-
Recreation and culture	449,941	142,914	24,730	-
Community and economic development	514,360	244,044	227,548	-
Interest on long-term debt	227,828	-	-	-
Total governmental activities	14,452,673	3,239,636	1,343,546	-
Business-type activities				
Water and sewer	3,492,462	3,422,199	-	-
Municipal Ice Arena	1,355,194	1,200,151	-	-
Total business-type activities	4,847,656	4,622,350	-	-
Total primary government	<u>\$ 19,300,329</u>	<u>\$ 7,861,986</u>	<u>\$ 1,343,546</u>	<u>\$ -</u>
Component unit - Downtown Development Authority				
	<u>\$ 495,794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,035</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Transfers				
Total general revenues and transfers				
<b>Change in Net Assets</b>				
<b>Net Assets (Deficit) - Beginning of year</b>				
<b>Net Assets (Deficit) - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2003**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,520,916)	\$ -	\$ (1,520,916)	\$ -
(5,854,883)	-	(5,854,883)	-
(1,940,799)	-	(1,940,799)	-
(282,297)	-	(282,297)	-
(42,768)	-	(42,768)	-
(227,828)	-	(227,828)	-
(9,869,491)	-	(9,869,491)	-
-	(70,263)	(70,263)	-
-	(155,043)	(155,043)	-
-	(225,306)	(225,306)	-
(9,869,491)	(225,306)	(10,094,797)	-
-	-	-	(333,759)
5,135,966	-	5,135,966	650,318
3,611,617	-	3,611,617	-
44,685	19,756	64,441	8,032
112,700	-	112,700	-
(155,611)	155,611	-	-
8,749,357	175,367	8,924,724	658,350
(1,120,134)	(49,939)	(1,170,073)	324,591
22,547,740	5,215,731	27,763,471	(5,495,291)
<b>\$ 21,427,606</b>	<b>\$ 5,165,792</b>	<b>\$ 26,593,398</b>	<b>\$ (5,170,700)</b>

# City of Hazel Park, Michigan

## Governmental Funds Balance Sheet June 30, 2003

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 1,134,892	\$ 640,123	\$ 1,775,015
Receivables (Note 4)	254,548	90,025	344,573
Due from other governmental units (Note 4)	924,606	230,515	1,155,121
Due from other funds (Note 6)	280,955	-	280,955
Prepaid costs and other assets	151,536	-	151,536
Long-term receivable - Pension Fund	242,012	-	242,012
Total assets	<b>\$ 2,988,549</b>	<b>\$ 960,663</b>	<b>\$ 3,949,212</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 226,615	\$ 82,434	\$ 309,049
Accrued and other liabilities	427,528	48,136	475,664
Due to other funds	-	280,955	280,955
Due to other governmental units	767,612	-	767,612
Deferred revenue (Note 4)	600,078	50,541	650,619
Total liabilities	2,021,833	462,066	2,483,899
<b>Fund Balances</b>			
Reserved for:			
Long-term receivable from Pension Fund	242,012	-	242,012
Construction code fees (Note 2)	22,280	-	22,280
Garbage and rubbish collection	-	112,188	112,188
Drug law enforcement	-	369,237	369,237
Unreserved - Undesignated	702,424	-	702,424
Unreserved - Reported in Special Revenue Funds:			
Designated	-	20,302	20,302
Undesignated	-	(3,130)	(3,130)
Total fund balances	966,716	498,597	1,465,313
Total liabilities and fund balances	<b>\$ 2,988,549</b>	<b>\$ 960,663</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	25,303,048
State-shared revenue not collected within 60 days of year end is recognized as revenue, but shown as governmental revenue	600,078
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(5,905,165)
Accrued interest on long-term liabilities are not due and payable in the current period and are not reported in the funds	(35,668)
Net assets of governmental activities	<b>\$ 21,427,606</b>

# City of Hazel Park, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2003

	General	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 4,495,748	\$ 640,218	\$ 5,135,966
Licenses and permits	600,758	-	600,758
Federal grants	-	253,897	253,897
State-shared revenues and grants	2,797,112	1,064,919	3,862,031
Race track breakage	602,702	90,058	692,760
Charges for services	738,604	245,992	984,596
Fines and forfeitures	1,402,497	-	1,402,497
Interest and rentals	34,028	10,657	44,685
Other	190,386	180,327	370,713
Total revenue	10,861,835	2,486,068	13,347,903
<b>Expenditures</b>			
Current:			
General government	3,360,781	13,366	3,374,147
Public safety	5,837,079	76,240	5,913,319
Public works	639,316	1,943,343	2,582,659
Community and economic development	382,892	-	382,892
Recreation and culture	423,417	-	423,417
Capital outlay	-	383,765	383,765
Debt service	-	713,256	713,256
Total expenditures	10,643,485	3,129,970	13,773,455
<b>Excess of Revenue Over (Under) Expenditures</b>	218,350	(643,902)	(425,552)
<b>Other Financing Sources (Uses)</b>			
Issuance of debt	-	54,151	54,151
Transfers in	154,734	524,185	678,919
Transfers out	(583,584)	(250,946)	(834,530)
Total other financing sources (uses)	(428,850)	327,390	(101,460)
<b>Net Change in Fund Balances</b>	(210,500)	(316,512)	(527,012)
<b>Fund Balances - Beginning of year</b>	1,177,216	815,109	1,992,325
<b>Fund Balances - End of year</b>	<u>\$ 966,716</u>	<u>\$ 498,597</u>	<u>\$ 1,465,313</u>

# City of Hazel Park, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2003**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (527,012)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	311,986
Depreciation on capital assets reported as part of governmental activities	(1,507,339)
State-shared revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	146,475
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	520,446
Bond proceeds are not reported as financing sources on the statement of activities	(54,151)
Decrease in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities	25,129
Increase in interest expense is recorded when incurred in the statement of activities	<u>(35,668)</u>

<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ (1,120,134)</u></u></b>
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# City of Hazel Park, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2003

	Enterprise Funds		Governmental Activities
	Water and Sewer	Municipal Ice Arena	Internal Service Fund
<b>Assets</b>			
Current assets:			
Cash and investments (Note 3)	\$ 862,613	\$ 130,816	\$ 170,000
Receivables (Note 4)	817,792	17,585	-
Due from component unit	338,661	-	-
Inventories	39,524	8,567	-
Prepaid costs and other assets	143,224	169,480	-
Total current assets	2,201,814	326,448	170,000
Noncurrent assets:			
Long-term receivables	484,023	-	-
Restricted assets (Notes 3 and 8)	174,331	-	-
Capital assets - Net (Note 5)	7,216,374	8,471,437	-
Total noncurrent assets	7,874,728	8,471,437	-
Total assets	10,076,542	8,797,885	170,000
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	239,699	3,719	-
Accrued and other liabilities	36,704	117,998	-
Current portion of long-term debt (Note 7)	141,575	200,000	170,000
Total current liabilities	417,978	321,717	170,000
Noncurrent liabilities - Long-term debt - Net of current current portion (Note 7)	4,068,940	8,900,000	-
Total liabilities	4,486,918	9,221,717	170,000
<b>Net Assets (Deficit)</b>			
Investment in capital assets - Net of related debt	3,029,920	-	-
Restricted - Revenue bond	174,331	-	-
Unrestricted	2,385,373	(423,832)	-
Total net assets (deficit)	<u>\$ 5,589,624</u>	<u>\$ (423,832)</u>	<u>\$ -</u>

# City of Hazel Park, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2003

	Enterprise Funds		Governmental Activities
	Water and Sewer	Municipal Ice Arena	Internal Service Fund
<b>Operating Revenue</b>			
Sale of water	\$ 1,422,489	\$ -	\$ -
Sewage disposal charges	1,886,453	-	-
Charges for services	110,193	-	-
City contributions	-	-	1,963,270
Rental income	-	1,062,959	-
Advertising	-	5,892	-
Concessions	-	34,521	-
Pro shop	-	17,318	-
Other charges for services	3,064	79,461	-
Total operating revenue	3,422,199	1,200,151	1,963,270
<b>Operating Expenses</b>			
Cost of water produced/purchased	527,683	-	-
Cost of sewage treatment	1,011,845	-	-
Operation and maintenance	968,482	587,920	-
General and administrative	372,741	50,444	-
Depreciation and amortization	453,950	266,030	-
Refunds and other	32,172	-	-
Benefit payments and claims administration	-	-	1,963,270
Total operating expenses	3,366,873	904,394	1,963,270
<b>Operating Income</b>	55,326	295,757	-
<b>Nonoperating Income (Expense)</b>			
Interest income	19,756	-	-
Interest expense	(125,589)	(450,800)	-
<b>Loss - Before transfers</b>	(50,507)	(155,043)	-
<b>Transfers from Other Funds</b>	-	155,611	-
<b>Change in Net Assets</b>	(50,507)	568	-
<b>Net Assets (Deficit) - Beginning of year</b>	5,640,131	(424,400)	-
<b>Net Assets (Deficit) - End of year</b>	<u>\$ 5,589,624</u>	<u>\$ (423,832)</u>	<u>\$ -</u>

# City of Hazel Park, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2003

	Enterprise Funds		Governmental Activities
	Water and Sewer	Municipal Ice Arena	Internal Service Fund
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 3,398,602	\$ 1,216,389	\$ -
Contributions received	-	-	1,963,270
Payments to suppliers	(2,494,450)	(383,420)	-
Payments to employees	(513,576)	(301,947)	-
Claims paid	-	-	(1,850,952)
Net cash provided by operating activities	390,576	531,022	112,318
<b>Cash Flows from Noncapital and Related Financing Activities -</b>			
Transfer in from other funds	148,173	155,611	-
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of capital assets	(149,222)	-	-
Disposal of capital assets	1,575	-	-
Principal and interest paid on capital debt	(234,041)	(650,800)	-
Net cash used in capital and related financing activities	(381,688)	(650,800)	-
<b>Cash Flows from Investing Activities - Interest received on investments</b>	19,756	-	-
<b>Net Increase in Cash and Cash Equivalents</b>	176,817	35,833	112,318
<b>Cash and Cash Equivalents - Beginning of year</b>	860,127	94,983	57,682
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,036,944</b>	<b>\$ 130,816</b>	<b>\$ 170,000</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and investments	\$ 862,613	\$ 130,816	\$ 170,000
Restricted assets	174,331	-	-
Total cash and cash equivalents	<b>\$ 1,036,944</b>	<b>\$ 130,816</b>	<b>\$ 170,000</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income	\$ 55,326	\$ 295,757	\$ -
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	453,950	266,030	-
Changes in assets and liabilities:			
Receivables	(23,597)	16,238	-
Other assets	(75,797)	17,667	82,318
Accounts payable	(20,492)	(40,720)	-
Accrued and other liabilities	1,186	(23,950)	30,000
Net cash provided by operating activities	<b>\$ 390,576</b>	<b>\$ 531,022</b>	<b>\$ 112,318</b>

# City of Hazel Park, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2003

	Pension Trust Fund	Agency Funds
<b>Assets</b>		
Cash (Note 3)	\$ 324,271	\$ 199,418
Investments (Note 3):		
Corporate bonds	4,828,180	-
U.S. government securities	9,995,883	-
Common and preferred stock	18,281,927	-
Mutual funds	1,198,227	-
Total investments	34,304,217	-
Receivables:		
Accrued interest	138,387	-
Other	804,080	-
Due from other funds	767,612	-
Total assets	36,338,567	<u><u>\$ 199,418</u></u>
<b>Liabilities</b>		
Accrued and other liabilities	43,793	123,916
Due to other governmental units	726,035	75,502
Total liabilities	769,828	<u><u>\$ 199,418</u></u>
<b>Net Assets - Held in trust for pension benefits</b>	<u><u>\$ 35,568,739</u></u>	

# City of Hazel Park, Michigan

## Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2003

	Pension Trust Fund
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 1,058,072
Net depreciation in fair value of investments	(299,583)
Less investment expenses	<u>(338,602)</u>
Net investment income	419,887
Contributions:	
Employer	767,612
Employee	<u>517,539</u>
Total contributions	<u>1,285,151</u>
Total additions	1,705,038
<b>Deductions</b>	
Benefit payments	2,839,372
Refunds of contributions	62,916
Administrative expenses	<u>40,991</u>
Total deductions	<u>2,943,279</u>
<b>Net Decrease in Net Assets Held for Pension Benefits</b>	(1,238,241)
<b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of year	<u>36,806,980</u>
End of year	<u><u>\$ 35,568,739</u></u>

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Hazel Park, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Hazel Park, Michigan:

#### **Reporting Entity**

The City of Hazel Park, Michigan is governed by an elected five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

#### **Blended Component Units**

The Hazel Park Building Authority is governed by a five-member board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The activity of the Hazel Park Building Authority is reported within the General Fund and Municipal Ice Arena Enterprise Fund.

**Discretely Presented Component Unit** - The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body is approved by City Council. In addition, the DDA's budget is subject to approval by the City.

**Jointly Governed Organization** - Jointly governed organizations are discussed in Note 12.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, State-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major Enterprise Funds:

**Water and Sewer Fund** - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

**Municipal Ice Arena Fund** - The Municipal Ice Arena Fund accounts for the operations of Viking Ice Arena.

Additionally, the City reports the following fund types:

**Internal Service Fund** - The Internal Service Fund accounts for risk management services provided to other departments of the City on a cost reimbursement basis.

**Pension Trust Fund** - The Pension Trust Fund accounts for the activities of the City's employees' retirement system, which accumulates resources for pension benefit payments to qualified City's employees.



### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Agency Funds** - Agency Funds account for assets held by the City for individuals, organizations, other governments or other funds. They are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its Enterprise Funds.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Property Taxes** - All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes for the City are levied on July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on August 31 at which time penalties and interest are assessed.

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - Restricted assets at June 30, 2003 consist of cash restricted for revenue bond reserve requirements of \$174,331 in the Water and Sewer Fund.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	20 years
Water and sewer distribution systems	30-50 years
Buildings and building improvements	10-50 years
Vehicles	6 years
Machinery and equipment	5-20 years
Infrastructure	20-50 years

### Note I - Summary of Significant Accounting Policies (Continued)

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Vacation pay is accrued when earned, and sick pay is accrued when vested (or likely to vest). A liability is accrued when incurred in the government-wide and proprietary fund financial statements.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### Accounting Changes

**GASB Statement No. 34** - Effective July 1, 2002, the City implemented the provisions of GASB Statement of Financial Accounting Standards No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (SFAS No. 34)*. Changes to the City's financial statements as a result of SFAS No. 34 include the following:

- A management discussion and analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations has been added.
- Government-wide financial statements, prepared using full accrual accounting for all of the City's activities, including infrastructure (road, bridges, etc.), have been provided.
- A change in the fund financial statements to focus on the major funds

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The City has elected to implement both the general provisions of GASB No. 34 and the retroactive reporting of infrastructure in the current year.

- Capital assets in the governmental activities column of the statement of net assets (deficit) includes infrastructure assets (roads, sidewalks, etc.) totaling \$33,652,000 not previously accounted for by the City as well as assets and land and land improvements totaling approximately \$18,285,000 previously reported in the General Fixed Assets Account Group.
- The governmental activities column includes bonds and other long-term obligations totaling approximately \$6,397,000 previously reported in the General Long-term Debt Account Group. Long-term debt at July 1, 2002 has been adjusted by \$140,000 to reflect the self-insurance claims obligation not previously reported as part of long-term debt.

### **Note 2 - Stewardship, Compliance, and Accountability**

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's *Bulletin for Audits of Local Units of Government in Michigan* dated April 1982:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. Budgeted expenditures cannot exceed budgeted revenues and fund balance.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

The City adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations. A comparison of actual results of operations to the General Fund budget adopted by the City Council is included as required supplemental information. This comparison includes budget expenditure overruns. A comparison of actual results of operations, including budget overruns, to the nonmajor fund budgets as adopted by the City Council, is available at the Clerk's office for inspection.

### **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

The City follows these procedures in establishing the budget reflected in the financial statements:

1. The city manager on or before 60 days prior to the commencement of the fiscal and budgetary year (July 1), shall prepare and submit to the Council a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the Council shall direct, and notice of such public hearing shall be published at least 10 days in advance thereof by the clerk.
3. The Council shall, on or before 30 days prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

The annual budget is prepared by City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles, with the following exceptions:

- Operating transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).”
- Expenditures financed by installment debt are reported net of the debt proceeds.
- Reimbursements from other funds have been included in revenue, rather than as a reduction of expenditures.

The budget statements are presented on the same basis of accounting used in preparing the adopted budget.

# City of Hazel Park, Michigan

## Notes to Financial Statements June 30, 2003

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City of Hazel Park incurred expenditures that were in excess of the amounts budgeted in the General Fund, as follows:

	Amended Budget	Actual	Variance
Executive	\$ 242,000	\$ 244,179	\$ (2,179)
City Clerk	195,000	195,986	(986)
Finance	320,000	328,790	(8,790)
Boards and commissions	6,675	9,038	(2,363)
Fire	1,960,069	1,968,535	(8,466)
Motor pool	218,632	220,193	(1,561)
Transfers to other funds	286,437	583,584	(297,147)

These unfavorable expenditure variances in the General Fund were caused by unanticipated expenditures that became necessary during the year. The unfavorable variance in operating transfers was a result of the General Fund transferring monies in excess of those budgeted to the Capital Improvement and Replacement Fund.

**Fund Deficits** - The City has accumulated fund deficits in the following individual funds:

The Auto Theft Prevention Fund had an accumulated deficit of \$3,130 as of June 30, 2003. The City anticipates future revenues in excess of expenditures will cover the existing deficit.

The Downtown Development Authority has an accumulated deficit of \$206,338 at June 30, 2003 on a modified accrual basis that will be eliminated with future property tax capture.

The Municipal Ice Arena Fund had an accumulated deficit of \$423,832. The City plans to eliminate the existing deficits through rate increases and interfund transfers.

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

**Construction Code Fees** - The City oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000 is as follows:

Cumulative shortfall - July 1, 2002	\$ (32,043)
Revenue	198,849
Related expenses:	
Direct costs	81,431
Estimated indirect costs	<u>63,095</u>
Total construction code expenses	<u>144,526</u>
Cumulative surplus - June 30, 2003	<u><u>\$ 22,280</u></u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and bank investment pools and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated six banks for the deposit of City funds. The investment policy adopted by the City in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

# City of Hazel Park, Michigan

## Notes to Financial Statements June 30, 2003

### Note 3 - Deposits and Investments (Continued)

The City's Employees' Retirement System is also authorized by Michigan Public Act 485 of 1996 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain State and local government obligations, and certain other specified investment vehicles.

The City's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and investments	\$ 1,945,015	\$ 993,429	\$ 34,827,906	\$ 37,766,350	\$ 275,926
Restricted assets	-	174,331	-	174,331	-
Total	<u>\$ 1,945,015</u>	<u>\$ 1,167,760</u>	<u>\$ 34,827,906</u>	<u>\$ 37,940,681</u>	<u>\$ 275,926</u>

The breakdown between deposits and investments for the City is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 1,803,558	\$ 275,926
Investments in securities, mutual funds, and similar vehicles	36,128,153	-
Petty cash or cash on hand	<u>8,970</u>	<u>-</u>
Total	<u>\$ 37,940,681</u>	<u>\$ 275,926</u>



# City of Hazel Park, Michigan

## Notes to Financial Statements June 30, 2003

### Note 3 - Deposits and Investments (Continued)

The bank balance of the primary government's deposits is \$2,111,198, of which approximately \$400,000 is covered by federal depository insurance and the remainder was uninsured and uncollateralized. The component units' deposits had a bank balance of \$275,926, of which approximately \$100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the City or its agent in the City's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

At year end, the City's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government:				
Corporate bonds	\$ -	\$ -	\$ 4,828,180	\$ 4,828,180
U.S. government securities	-	-	9,995,883	9,995,883
Common and preferred stock	-	-	18,281,927	18,281,927
Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,105,990</u>	33,105,990
Investments not subject to categorization - Mutual funds				<u>1,198,227</u>
Total Pension Trust - Employees' Retirement System				34,304,217
Bank investment pool funds				1,245,218
Interlocal agreement investment pool funds				<u>578,718</u>
Total primary government				<u>\$ 36,128,153</u>

### Note 3 - Deposits and Investments (Continued)

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The bank investment pools, interlocal agreement investment pool, and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act. Investments under the interlocal agreement (MBIA-CLASS) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pools and interlocal agreement pools is the same as the value of the pool shares.

Included in the City's Employees' Retirement System investments at the balance sheet date are the following:

- Approximately \$369,000 of securities issued by the Government National Mortgage Association (GNMA). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Approximately \$2,303,000 of collateralized mortgage obligations. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Approximately \$3,409,000 of securities issued by the Federal Home Loan Mortgage Corporation (FHLMC). The FHLMC investments are backed by the applicable government agency. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

# City of Hazel Park, Michigan

## Notes to Financial Statements June 30, 2003

### Note 4 - Receivables and Deferred Revenue

Receivables as of year end for the City's individual major funds and the nonmajor, internal service, and fiduciary funds in the aggregate, are as follows:

	General Fund	Nonmajor and Other Funds	Business-type Activities	Total
Receivables:				
Taxes	\$ 2,775	\$ -	\$ -	\$ 2,775
Interest and other	251,773	90,025	-	341,798
Receivables from operations	-	-	835,377	835,377
Due from other governmental units	924,606	230,515	-	1,155,121
Total receivables	<u>\$ 1,179,154</u>	<u>\$ 320,540</u>	<u>\$ 835,377</u>	<u>\$ 2,335,071</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
State-shared revenue	\$ 600,078	\$ -
Police training	-	16,639
Local Law Enforcement Block Grant	-	26,619
9-11 Police Training Fund	-	7,283
Total	<u>\$ 600,078</u>	<u>\$ 50,541</u>

### Note 5 - Capital Assets

Capital asset activity of the City's governmental, business-type, and component unit activities was as follows:

<b>Governmental Activities</b>	Balance July 1, 2002	Additions	Disposals and Adjustments	Balance June 30, 2003
Capital assets not being depreciated -				
Land	\$ 1,194,004	\$ -	\$ -	\$ 1,194,004
Capital assets being depreciated:				
Land improvements	906,100	-	-	906,100
Buildings and improvements	2,036,126	79,261	-	2,115,387
Machinery and equipment	4,873,606	232,725	-	5,106,331
Infrastructure:				
Roadways	35,208,766	-	-	35,208,766
Sidewalks	8,559,555	-	-	8,559,555
Street lights	352,800	-	-	352,800
Subtotal	51,936,953	311,986	-	52,248,939
Accumulated depreciation:				
Land improvements	693,218	44,265	-	737,483
Buildings and improvements	1,505,572	43,613	-	1,549,185
Machinery and equipment	3,046,042	448,213	-	3,494,255
Infrastructure:				
Roadways	18,516,496	782,417	-	19,298,913
Sidewalks	2,774,208	171,191	-	2,945,399
Street lights	97,020	17,640	-	114,660
Subtotal	26,632,556	1,507,339	-	28,139,895
Net capital assets being depreciated	25,304,397	(1,195,353)	-	24,109,044
Net capital assets	\$ 26,498,401	\$ (1,195,353)	\$ -	\$ 25,303,048

# City of Hazel Park, Michigan

## Notes to Financial Statements June 30, 2003

### Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2002	Additions	Disposals and Adjustments	Balance June 30, 2003
Capital assets not being depreciated -				
Land	\$ 1,191,033	\$ -	\$ -	\$ 1,191,033
Capital assets being depreciated:				
Land improvements	306,694	-	-	306,694
Water and sewer distribution systems	12,583,984	149,222	69,382	12,663,824
Buildings and building improvements	8,093,333	-	-	8,093,333
Vehicles	616,442	-	-	616,442
Machinery and equipment	724,408	-	1,575	722,833
Subtotal	22,324,861	149,222	70,957	22,403,126
Accumulated depreciation:				
Land improvements	8,613	6,135	-	14,748
Water and sewer distribution systems	5,550,173	389,510	-	5,939,683
Buildings and building improvements	775,670	206,281	-	981,951
Vehicles	431,942	20,501	-	452,443
Machinery and equipment	432,254	85,269	-	517,523
Subtotal	7,198,652	707,696	-	7,906,348
Net capital assets being depreciated	15,126,209	(558,474)	70,957	14,496,778
Net capital assets	<u>\$ 16,317,242</u>	<u>\$ (558,474)</u>	<u>\$ 70,957</u>	<u>\$ 15,687,811</u>
<b>Component Unit</b>				
Capital assets not being depreciated -				
Land	\$ 154,766	\$ -	\$ -	\$ 154,766
Capital assets being depreciated -				
Land improvements	230,200	-	-	230,200
Subtotal	384,966	-	-	384,966
Accumulated depreciation - Land improvements	51,795	11,510	-	63,305
Net capital assets	<u>\$ 333,171</u>	<u>\$ (11,510)</u>	<u>\$ -</u>	<u>\$ 321,661</u>

# City of Hazel Park, Michigan

## Notes to Financial Statements June 30, 2003

### Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 122,596
Public safety	279,670
Public works	1,042,051
Economic development	2,742
Recreation and culture	<u>60,280</u>

Total governmental activities	<u>\$ 1,507,339</u>
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Business-type activities:

Water	\$ 449,736
Sewer	<u>257,960</u>

Total business-type activities	<u>\$ 707,696</u>
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### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Governmental Funds</b>		
General Fund	Nonmajor Governmental Funds:	
	Major Streets	\$ 108,307
	Local Streets	54,193
	Auto Theft Prevention	15,863
	Community Development	
	Block Grant Fund	56,691
	Capital Improvement and Replacement Fund	<u>45,901</u>
Total General Fund		<u>\$ 280,955</u>

Interfund balances are due to the time lag between when interfund services are provided or expenses are paid on behalf of another fund and when the reimbursement is received.

# City of Hazel Park, Michigan

## Notes to Financial Statements June 30, 2003

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

#### Interfund Transfers

Fund Transferred From	Fund Transferred To	Amount
General Fund	Nonmajor governmental funds:	
	Local Streets	(1) \$ 20,504
	Local Law Enforcement Block Grant	(2) 48,941
	Auto Theft Prevention	(2) 35,832
	Capital Improvement and Replacement	(3) 323,579
	Municipal Ice Arena	(4) <u>154,728</u>
	Total General Fund	583,584
Nonmajor governmental funds	Municipal Ice Arena	(4) 883
	Nonmajor governmental funds:	
	Local Streets	(5) 89,229
	Capital Improvement and Replacement	(1) 6,100
	General Fund	(4) <u>154,734</u>
	Total nonmajor governmental	<u>250,946</u>
	Total	<u>\$ 834,530</u>

(1) Transfer for reimbursement of expenses

(2) Transfer for City match of grants

(3) Transfer for payment of debt service obligations

(4) Transfer of discretionary funds to be used for the benefit of the community

(5) Transfer of Act 51 monies to fund local street expenditures

### Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from acquired or constructed assets to pay debt service.

The Water and Sewer Fund revenue bonds are payable solely from the net revenues of the system and are not a general obligation of the City. The City has agreed to fix and maintain the system, and to provide rates for service provided by the system sufficient to provide for payment of necessary expenses of the system, including the principal and interest on the bonds, when due.

The accumulated compensated absences represent the estimated liability to be paid to governmental fund-type employees under the City's sick and vacation pay policy. Under the City's policy, employees earn sick and vacation time based on time of service with the City.

Long-term obligation activity can be summarized as follows:

	Original Amount	Interest Rate Range	Maturity Payment Range	Principal Maturity Range	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Governmental Activities</b>									
Michigan transportation revenue bonds:									
MI Transportation Bonds Series 1997A	\$ 475,000	5.10%-5.80%	2012	\$25,000-\$50,000	\$ 350,000	\$ -	\$ 25,000	\$ 325,000	\$ 25,000
MI Transportation Bonds Series 1999	3,700,000	4.00%-4.63%	2017	\$150,000-\$300,000	3,250,000	-	150,000	3,100,000	150,000
Contractual obligations:									
GMC truck	142,303	4.46%	2004	\$33,287	77,669	-	44,383	33,286	33,287
GMC truck	73,761	5.25%	2003	N/A	25,950	-	25,950	-	-
CAT loader	97,670	5.09%	2003	N/A	28,638	-	28,638	-	-
Fire apparatus 1997	560,000	5.03%	2004	\$90,000-\$95,000	270,000	-	85,000	185,000	90,000
Ambulance	133,651	4.01%	2005	\$26,689-\$27,761	80,108	-	25,658	54,450	26,689
Truck/Plow and lawn mowers	187,192	3.86%	2006	\$35,993-\$39,024	146,862	-	34,459	112,403	35,993
Stump grinder and hustler mower	32,177	2.25%	2004	\$12,231	28,233	-	16,002	12,231	12,231
Police interceptors	132,000	2.25%	2005	\$43,993-\$44,973	132,000	-	43,034	88,966	44,004
Civics computer system	83,320	3.25%	2005	\$26,294-\$27,764	83,320	-	29,262	54,058	29,262
Roof repairs	54,151	3.43%	2005	\$4,690-\$18,511	-	54,151	13,060	41,091	17,890
Compensated absences	N/A	N/A	N/A	N/A	1,119,729	-	25,129	1,094,600	298,000
Long-term pension payable	N/A	N/A	N/A	N/A	804,080	-	-	804,080	54,080
Self-insurance claims	N/A	N/A	N/A	N/A	140,000	30,000	-	170,000	170,000
Total governmental activities					\$ 6,536,589	\$ 84,151	\$ 545,575	\$ 6,075,165	\$ 986,436



# City of Hazel Park, Michigan

## Notes to Financial Statements June 30, 2003

### Note 7 - Long-term Debt (Continued)

	Original Amount	Interest Rate Range	Maturity Payment Range	Principal Maturity Range	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Business-type Activities</b>									
Water and Sewer:									
Water Supply and Sewage Disposal System - Revenue Bonds - Series 1999	\$ 1,640,000	4.00%-6.00%	2017	\$75,000-\$125,000	\$ 1,550,000	\$ -	\$ 50,000	\$ 1,500,000	\$ 75,000
Water Utility Fund Auxiliary Engine	205,000	3.25%	2007	\$32,176-\$42,450	194,624	-	38,753	155,871	39,999
County Contractual Agreements (Note 14):									
Drain Bonds Series 2000A	391,341	2.50%	2022	\$15,649-\$24,514	391,341	-	15,321	376,020	15,649
Drain Bonds Series 2000B	143,798	4.75%-5.38%	2022	\$4,377-\$10,835	143,798	-	4,378	139,420	4,377
Drain Bonds Series 2001C	1,799,117	2.50%	2024	\$70,476-\$112,609	1,799,117	-	-	1,799,117	-
Drain Bonds Series 2001E	216,026	4.00%-5.25%	2024	\$7,660-\$15,760	216,026	-	-	216,026	-
Ice Arena - Building Authority Ice Arena Bonds 1999	9,700,000	4.35%-7.35%	2024	\$200,000-\$600,000	9,300,000	-	200,000	9,100,000	200,000
Compensated absences	N/A	N/A	N/A	N/A	22,365	1,696	-	24,061	6,550
Total business-type activities					<u>\$13,617,271</u>	<u>\$ 1,696</u>	<u>\$ 308,452</u>	<u>\$13,310,515</u>	<u>\$ 341,575</u>
<b>Component Unit Activities - General</b>									
obligation bonds									
General Obligation 1994	\$ 895,000	5.20%-5.80%	2013	\$40,000-\$95,000	\$ 785,000	\$ -	\$ 35,000	\$ 750,000	\$ 40,000
General Obligation 1994	1,800,000	6.05%-7.10%	2013	\$95,000-\$150,000	1,595,000	-	75,000	1,520,000	95,000
General Obligation 1997	2,175,000	4.60%-5.50%	2020	\$40,000-\$175,000	2,105,000	-	40,000	2,065,000	40,000
Limited Tax Development Bonds 1999	975,000	4.20%-6.00%	2019	\$25,000-\$100,000	975,000	-	-	975,000	25,000
Shammami Project	120,000	6.00%	2011	\$8,525-\$12,844	87,146	-	5,069	82,077	9,518
Total component unit activities					<u>\$ 5,547,146</u>	<u>\$ -</u>	<u>\$ 155,069</u>	<u>\$ 5,392,077</u>	<u>\$ 209,518</u>

Annual debt service requirements to maturity for the above governmental, business-type and component unit bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 986,436	\$ 171,830	\$ 1,158,266	\$ 341,575	\$ 591,524	\$ 933,099	\$ 209,518	\$ 302,352	\$ 511,870
2005	776,414	154,145	930,559	421,919	570,531	992,450	233,525	290,983	524,508
2006	571,715	139,936	711,651	525,337	548,522	1,073,859	264,050	276,159	540,209
2007	435,600	130,767	566,367	540,684	519,437	1,060,121	284,609	260,039	544,648
2008	285,000	122,877	407,877	506,810	489,985	996,795	320,201	242,099	562,300
2009-2013	1,520,000	456,809	1,976,809	2,954,022	2,126,841	5,080,863	1,935,174	891,005	2,826,179
2014-2018	1,450,000	138,675	1,588,675	3,564,491	1,430,417	4,994,908	1,495,000	362,680	1,857,680
2019-2023	50,000	-	50,000	3,727,309	644,418	4,371,727	650,000	48,313	698,313
2024-2028	-	-	-	728,368	31,843	760,211	-	-	-
Total	<u>\$ 6,075,165</u>	<u>\$ 1,315,039</u>	<u>\$ 7,390,204</u>	<u>\$ 13,310,515</u>	<u>\$ 6,953,518</u>	<u>\$ 20,264,033</u>	<u>\$ 5,392,077</u>	<u>\$ 2,673,630</u>	<u>\$ 8,065,707</u>

### Note 8 - Restricted Assets

Restricted assets at June 30, 2003 consist of cash and investments restricted for revenue bond reserve requirements of \$174,331 in the Water and Sewer Fund.

### Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for property loss, torts, errors and omissions, and employee injuries (workers' compensation) claims and is uninsured for medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to retention limits, the ultimate liability for those claims remains with the City. The City has elected to participate in the Authority's stop-loss program, which limits the paid losses to \$150,000 per occurrence and \$248,000 in the aggregate for the most recent plan year.

The City estimates the liability for medical benefit claims and from its period of being self-insured for workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2002	2003
Unpaid claims - Beginning of year	\$ 140,000	\$ 140,000
Incurring claims - Including claims incurred but not reported)	1,969,032	1,993,270
Claim payments	(1,969,032)	(1,963,270)
Unpaid claims - End of year	<u>\$ 140,000</u>	<u>\$ 170,000</u>

### **Note 10 - Defined Benefit Pension Plan and Postretirement Benefits**

**Plan Description** - The Employees' Pension Plan is a single-employer defined benefit pension plan that is administered by the City's Employees' Retirement System. This plan, which covers all employees of the City, provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2002, the date of the most recent actuarial valuation, membership consisted of 138 retirees and beneficiaries currently receiving benefits, 5 terminated employees entitled to benefits but not yet receiving them, and 122 current active employees. The plan does not issue a separate financial report.

**Funding Policy** - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 5 percent to 10.35 percent of gross wages for general, police, and fire employees. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

**Annual Pension Costs** - For the year ended June 30, 2003, the City was required to make a contribution of 11.95 percent of covered payroll to the plan. The annual required contribution was determined as part of an actuarial valuation at June 30, 2002. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.50 percent per year compounded annually, (b) projected salary increases of 4.25 percent to 8.05 percent per year compounded annually, of which 4.25 percent is attributable to inflation, and (c) no postretirement benefit increases. For actuarial purposes, asset values are determined using techniques that smooth the effects of short-term market volatility over a four-year period. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2002 was 10 years.

# City of Hazel Park, Michigan

## Notes to Financial Statements June 30, 2003

### Note 10 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

#### Three-year Trend Information

	2003	2002	2001
Annual pension costs (APC)	\$ 767,612	\$ 304,708	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

### Note 11 - Postemployment Benefits

The City provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 138 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its self-insured health care plan with no contribution required by the participant. Expenditures for postemployment health care benefits are recognized as the claims are incurred; during the year, this amounted to approximately \$1,252,000.

### Note 12 - Joint Venture

The City is a member of the Southeastern Oakland County Resource Recovery Authority, which provides solid waste disposal services to residents and businesses of Hazel Park. The participating communities provide annual funding for its operations. During the current year, the City contributed approximately \$525,000 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Southeastern Oakland County Resource Recovery Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, MI 48073.

### Note 13 - Contingent Liabilities

The City has been named as a defendant in multiple claims and lawsuits requesting damages of various amounts. The various proceedings have not yet progressed to the point where legal opinions can be reached as to the ultimate liabilities, if any, after consideration of available insurance, where applicable, that may result from the resolution of these matters. The City has not recorded an estimate of this liability as of June 30, 2003.

### **Note 14 - Commitments**

In a prior fiscal period, the City and all other member communities of the Southeast Oakland County Sewage Disposal System (SOCSDS) agreed to a new National Pollutant Discharge Elimination Systems (NPDES) permit, which resulted in the settlement of a contested case hearing between the Michigan Department of Environmental Quality, Oakland County, Macomb County, the City of Detroit, and the SOCSDS communities. The issuance of the new NPDES permit requires the SOCSDS member communities, as co-permittees, to undertake improvements to the Twelve Towns Retention Treatment Facility by December 31, 2005 to expand the capacity and enhance the performance of the wastewater retention treatment facility. The estimated total cost of the project is \$130 million, with the City's estimated share approximating \$3 million. To finance the project, the SOCSDS has begun to issue debt, with each community funding their proportionate share of the debt service payments. The SOCSDS has been able to obtain grant funding and low interest (2.5 percent) State Revolving Fund money to subsidize and/or finance the improvements. As of June 30, 2003, the City has approximately \$2,531,000 in outstanding debt related to this agreement (see Note 7).

### **Note 15 - Management's Plans**

Due to the reductions of state revenue sharing, limited property tax growth, and lower interest rates on invested balances coupled with the continued greater than inflationary increases in general liability insurance and health care insurance, the City's overall financial position and economic health remains critical as of June 30, 2003. In recent fiscal years, certain one time negative economic events and the inability of the Municipal Ice Arena to operate profitably created constraints in the City's ability to fund services provided to residents with matching revenues, thus reducing the City's financial reserves. City management, along with City Council representatives, continue to monitor the current financial situation and have implemented strategies to maintain the current financial levels until positive changes in the funding provided to municipalities throughout the state are implemented. These strategies include:

1. Streamlining operations to provide essential services to residents in a more productive and efficient manner
2. Reduce nonessential services provided to residents
3. Receiving benefit cost concessions from all unions representing City employees
4. Selling City property to create additional future tax base
5. Strictly curtailing most capital improvement projects and expenditures

### **Note 15 - Management's Plans (Continued)**

Management believes that the actions noted above, along with other operational changes, will result in continuing financial stability. Management expects to meet its projections of attaining profitability at the Municipal Ice Arena in the fiscal year ending June 30, 2004 and beyond to eliminate the deficit in the ice arena's net assets.

City management continues to maintain a heightened level of awareness of its overall financial position and is proactively making changes in its operations and procedures to improve its productivity, control costs and identify alternative revenue enhancement sources.

## **Required Supplemental Information**

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# City of Hazel Park, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 882,922	\$ 1,177,216	\$ 1,177,216	\$ -
<b>Resources (Inflows)</b>				
Property taxes	4,626,000	4,645,000	4,495,748	(149,252)
State sources	2,892,921	2,892,921	2,797,112	(95,809)
Licenses and permits	299,365	402,565	600,758	198,193
Fines and forfeitures	1,191,813	1,391,813	1,402,497	10,684
Charges for services	1,807,870	1,856,814	1,678,295	(178,519)
Interest income	32,500	32,500	34,028	1,528
Rental income	55,000	55,000	50,219	(4,781)
Race track breakage	540,000	554,870	602,702	47,832
Other	327,334	362,694	140,167	(222,527)
Transfer from other funds	877,362	681,385	154,734	(526,651)
Amounts available for appropriation	12,650,165	12,875,562	11,956,260	(919,302)
<b>Charges to Appropriations (Outflows)</b>				
General government:				
Legislative	27,050	32,700	31,172	1,528
Judicial	1,191,813	919,813	916,656	3,157
Executive	230,324	242,000	244,179	(2,179)
Elections	24,692	26,179	22,839	3,340
Assessor	149,833	165,000	161,794	3,206
Attorney	180,800	200,000	194,116	5,884
City Clerk	171,749	195,000	195,986	(986)
Finance	220,343	320,000	328,790	(8,790)
Insurance Claims	1,691,734	1,691,734	1,227,672	464,062
Boards and commissions	1,675	6,675	9,038	(2,363)
Treasurer	105,197	145,000	143,994	1,006
Building and grounds maintenance	211,280	211,280	181,489	29,791
Public safety:				
Police	4,085,728	3,890,762	3,868,544	22,218
Fire	1,960,469	1,960,069	1,968,535	(8,466)
Public works:				
Department of Public Service	806,074	900,285	814,294	85,991
Street lighting	260,500	260,500	247,576	12,924
Motor pool	221,723	218,632	220,193	(1,561)
Social services:				
Senior citizens program	59,292	59,292	43,145	16,147
Animal control	-	36,000	32,261	3,739
Youth assistance	-	2,000	1,495	505
Recreation and cultural	372,043	372,043	346,516	25,527
Planning				
Planning Commission	6,140	6,140	6,069	71
Planning, building, and community development	400,049	448,498	373,867	74,631
Zoning Board of Appeals	1,414	3,500	2,956	544
Transfers to other funds	270,243	286,437	583,584	(297,147)
Total charges to appropriations	12,650,165	12,599,539	12,166,760	432,779
<b>Fund Balance - End of year</b>	<b>\$ 882,922</b>	<b>\$ 1,453,239</b>	<b>\$ 966,716</b>	<b>\$ (486,523)</b>



# City of Hazel Park, Michigan

## Required Supplemental Information Pension System Schedules of Funding Progress and Employer Contributions June 30, 2003

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
<b>Employees' Retirement System</b>						
06/30/97 * **	\$ 38,641,229	\$ 34,853,364	\$ (3,787,865)	110.9	\$ 4,180,232	-
06/30/98	42,503,179	36,724,618	(5,778,561)	115.7	4,263,235	-
06/30/99	46,213,080	37,991,603	(8,221,477)	121.6	5,157,667	-
06/30/00 *	47,034,261	39,416,297	(7,617,964)	119.3	5,332,397	-
06/30/01 *	46,299,739	41,616,616	(4,683,123)	111.3	5,521,726	-
06/30/02	44,403,998	43,280,461	(1,123,537)	102.6	5,886,041	-

\* Plan amended

\*\* Revised actuarial assumptions and/or methods

The schedule of employer contributions is as follows:

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
<b>Employees' Retirement System</b>			
06/30/98	\$ 1,162,242	100.00	-
06/30/99	1,284,884	100.00	-
06/30/00	804,080	100.00	-
06/30/01	-	100.00	-
06/30/02	304,708	100.00	-
06/30/03	767,612	100.00	-

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2002, the latest actuarial valuation, follows:

### Employees' Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period (perpetual)	10 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases*	4.25%-8.05%
*Includes inflation at	4.25%
Cost of living adjustments	None

## **Other Supplemental Information**

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# City of Hazel Park, Michigan

	Special Revenue						
	Major Streets	Local Streets	Garbage and Rubbish Collection	Police Training	Community Development Block Grant	Budget Stabilization	Drug Law Enforcement
<b>Assets</b>							
Cash and investments	\$ -	\$ -	\$ 198,081	\$ 16,639	\$ -	\$ -	\$ 369,237
Receivables	-	5,625	7,815	-	-	-	-
Due from other governmental units	<u>125,256</u>	<u>48,568</u>	<u>-</u>	<u>-</u>	<u>56,691</u>	<u>-</u>	<u>-</u>
Total assets	<u><b>\$ 125,256</b></u>	<u><b>\$ 54,193</b></u>	<u><b>\$ 205,896</b></u>	<u><b>\$ 16,639</b></u>	<u><b>\$ 56,691</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 369,237</b></u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 16,949	\$ -	\$ 65,274	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	28,434	-	-	-	-
Due to other funds	108,307	54,193	-	-	56,691	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,639</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	125,256	54,193	93,708	16,639	56,691	-	-
<b>Fund Balances</b>							
Reserved	-	-	112,188	-	-	-	369,237
Unreserved:							
Designated	-	-	-	-	-	-	-
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>112,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,237</u>
Total liabilities and fund balances	<u><b>\$ 125,256</b></u>	<u><b>\$ 54,193</b></u>	<u><b>\$ 205,896</b></u>	<u><b>\$ 16,639</b></u>	<u><b>\$ 56,691</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 369,237</b></u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2003**

Funds							Debt Service Funds	
Cable Public Information	Auto Theft Prevention	Capital Improvement and Replacement	Local Law Enforcement Block Grant	PA 495 Fire Insurance Fund	DNR Grant	9-11 Police Training Fund	County Drain Contracts	Total Nonmajor Governmental Funds
\$ 4,519	\$ -	\$ -	\$ 26,619	\$ 17,745	\$ -	\$ 7,283	\$ -	\$ 640,123
15,994	14,690	45,901	-	-	-	-	-	90,025
-	-	-	-	-	-	-	-	230,515
<b>\$ 20,513</b>	<b>\$ 14,690</b>	<b>\$ 45,901</b>	<b>\$ 26,619</b>	<b>\$ 17,745</b>	<b>\$ -</b>	<b>\$ 7,283</b>	<b>\$ -</b>	<b>\$ 960,663</b>
\$ 211	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,434
-	1,957	-	-	17,745	-	-	-	48,136
-	15,863	45,901	-	-	-	-	-	280,955
-	-	-	26,619	-	-	7,283	-	50,541
211	17,820	45,901	26,619	17,745	-	7,283	-	462,066
-	-	-	-	-	-	-	-	481,425
20,302	-	-	-	-	-	-	-	20,302
-	(3,130)	-	-	-	-	-	-	(3,130)
20,302	(3,130)	-	-	-	-	-	-	498,597
<b>\$ 20,513</b>	<b>\$ 14,690</b>	<b>\$ 45,901</b>	<b>\$ 26,619</b>	<b>\$ 17,745</b>	<b>\$ -</b>	<b>\$ 7,283</b>	<b>\$ -</b>	<b>\$ 960,663</b>

# City of Hazel Park, Michigan

	Special Revenue						
	Major Streets	Local Streets	Garbage and Rubbish Collection	Police Training	Community Development Block Grant	Budget Stabilization	Drug Law Enforcement
<b>Revenue</b>							
Property taxes	\$ -	\$ -	\$ 640,218	\$ -	\$ -	\$ -	\$ -
Federal grants	-	10,747	-	-	227,548	-	-
State-shared revenues and grants	725,251	281,259	-	1,835	-	-	-
Race track breakage	-	-	-	-	-	-	-
Charges for services	-	-	245,992	-	-	-	-
Interest and rentals	-	-	5,568	-	-	-	5,089
Other	-	-	-	-	-	-	57,110
Total revenue	725,251	292,006	891,778	1,835	227,548	-	62,199
<b>Expenditures</b>							
Current:							
General government	2,234	3,758	-	-	1,146	-	-
Public safety	-	-	-	1,835	-	-	1,163
Public works	297,669	397,981	1,012,774	-	226,402	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service	336,118	-	-	-	-	-	-
Total expenditures	636,021	401,739	1,012,774	1,835	227,548	-	1,163
<b>Excess of Revenue Over (Under)</b>							
<b>Expenditures</b>	89,230	(109,733)	(120,996)	-	-	-	61,036
<b>Other Financing Sources (Uses)</b>							
Issuance of debt	-	-	-	-	-	-	-
Transfers in	-	109,733	-	-	-	-	-
Transfers out	(89,230)	-	-	-	-	(882)	-
Total other financing sources (uses)	(89,230)	109,733	-	-	-	(882)	-
<b>Net Change in Fund Balances</b>	-	-	(120,996)	-	-	(882)	61,036
<b>Fund Balances - Beginning of year</b>	-	-	233,184	-	-	882	308,201
<b>Fund Balances - End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369,237</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2003**

Funds								Debt Service Funds
Cable Public Information	Auto Theft Prevention	Capital Improvement and Replacement	Local Law Enforcement Block Grant	PA 495 Fire Insurance Fund	DNR Grant	9-11 Police Training Fund	County Drain Contracts	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 640,218
-	-	-	15,602	-	-	-	-	253,897
-	56,574	-	-	-	-	-	-	1,064,919
-	-	90,058	-	-	-	-	-	90,058
-	-	-	-	-	-	-	-	245,992
-	-	-	-	-	-	-	-	10,657
56,350	-	66,867	-	-	-	-	-	180,327
56,350	56,574	156,925	15,602	-	-	-	-	2,486,068
-	-	-	-	6,228	-	-	-	13,366
-	73,242	-	-	-	-	-	-	76,240
8,517	-	-	-	-	-	-	-	1,943,343
-	-	319,222	64,543	-	-	-	-	383,765
-	-	377,138	-	-	-	-	-	713,256
8,517	73,242	696,360	64,543	6,228	-	-	-	3,129,970
47,833	(16,668)	(539,435)	(48,941)	(6,228)	-	-	-	(643,902)
-	-	54,151	-	-	-	-	-	54,151
-	35,832	329,679	48,941	-	-	-	-	524,185
(120,000)	(6,100)	-	-	-	(4,903)	-	(29,831)	(250,946)
(120,000)	29,732	383,830	48,941	-	(4,903)	-	(29,831)	327,390
(72,167)	13,064	(155,605)	-	(6,228)	(4,903)	-	(29,831)	(316,512)
92,469	(16,194)	155,605	-	6,228	4,903	-	29,831	815,109
<u>\$ 20,302</u>	<u>\$ (3,130)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,597</u>

# City of Hazel Park, Michigan

## Other Supplemental Information Combining Statement of Net Assets Agency Funds June 30, 2002

	Current Tax Collection	Agency	Totals
<b>Assets - Cash</b>	<b><u>\$ 75,502</u></b>	<b><u>\$ 123,916</u></b>	<b><u>\$ 199,418</u></b>
<b>Liabilities</b>			
Accrued and other liabilities	\$ -	\$ 123,916	\$ 123,916
Due to other governmental units	<u>75,502</u>	<u>-</u>	<u>75,502</u>
Total liabilities	<b><u>\$ 75,502</u></b>	<b><u>\$ 123,916</u></b>	<b><u>\$ 199,418</u></b>